



proceeds from the sale of marijuana to purchased bitcoins and a 2012 Volkswagen Passat in an attempt to conceal the true source of the proceeds.

6. In February 2014, the IRS received information from Confidential Informant No. 1 ("CI-1") about Gatewood, who would receive marijuana from California on a monthly basis and then would sell and distribute the marijuana in and around the Austin area. CI-1 estimated that Gatewood would distribute fifteen to fifty pounds of marijuana each month. CI-1 and Gatewood have purchased marijuana from each other in the past. CI-1 further told officers that Gatewood had mentioned to CI-1 that he was holding \$500,000.00 in cash, from the sale of marijuana. CI-1 also told officers about another individual that he knew who purchased marijuana from Gatewood.

7. In March 2014, the IRS received information from Confidential Informant No. 2 ("CI-2"). CI-2 informed law enforcement officers that he/she had purchased marijuana on three separate occasions from Gatewood in 2013. On the first occasion, CI-2 purchased approximately 25 pounds of marijuana; on the second and third occasions, CI-2 purchased 8 to 10 pounds of marijuana. Each time the CI-2 paid Gatewood \$2,800 per pound.

8. On April 30, 2014, IRS along with the APD Narcotics Unit established surveillance at Gatewood's residence. Surveillance units observed Gatewood drive to three different locations around Austin, Texas. On each occasion, officers witnessed Gatewood or an associate enter the trunk of a Volkswagen Jetta (later determined to be a loaner vehicle from Charles Maund Volkswagen) and remove a bag or backpack. Subsequently, Gatewood drove to Charles Maund Volkswagen to return the Volkswagen Jetta and pick up his 2012 Volkswagen Passat (Passat), which had warranty work done.

9. At this time, officers detained Gatewood, pending the execution of a search warrant on the Volkswagen Jetta. Once APD obtained the state search warrant for the Jetta, an APD drug

dog arrived at the scene and conducted a free air sniff. The dog gave a positive alert on the Jetta and the backpack in Gatewood's possession, indicating the odor of marijuana and/or controlled substances was present. Officers seized approximately \$8,000 from the backpack.

10. Officers obtained records from Charles Maund Volkswagen regarding Gatewood's 2012 Volkswagen Passat. The business records revealed that Gatewood had purchased the Passat for \$25,178.66 on March 7, 2014. At that time, Gatewood provided a total down payment of \$20,000.00 which consisted of a \$9,500 credit for his trade in of a 2006 Infiniti and a cashier's check for \$10,500. On March 10, 2014, Gatewood paid the remaining balance of \$5,178.66 with cash.

11. On May 1, 2014, the APD obtained a state search warrant for Gatewood's residence at 4801 S. Congress Avenue, #A5, Austin, Texas. Officers seized thirty pounds of marijuana; \$14,019; and a Patriot Xporter 8GB USB thumb drive ("thumb drive"). An agent with the IRS Computer Investigation Division found the thumb drive to contain various Bitcoin<sup>1</sup> wallets. The wallets revealed the transactions completed by Gatewood and the current balance of his bitcoins. Gatewood used the thumb drive to access his wallet on LocalBitcoins.com. For example, the thumb drive contained information regarding Wallet address: 1LMwVh5mXTkUfpJmqrLc4zfga9y2iYChgi, indicating that the first transaction of 175 bitcoins was valued<sup>2</sup> at \$79,801.75 on November 26, 2013. Additionally, several other transactions (either buying or selling bitcoins) occurred between November 27, 2013, and March 19, 2014. The wallet currently contains 164.57107207 bitcoins. The value of these coins on May 29, 2014 was approximately \$96,000.00.

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<sup>1</sup> The capitalized word "Bitcoin" refers to the technology and network whereas the lowercase "bitcoin" refers to the currency itself.

<sup>2</sup> Value for the bitcoins varies daily.

12. Gatewood's cellphone was also searched pursuant to the state search warrant. Emails and text messages from Gatewood's phone revealed messages where Gatewood and various individuals discussed buying and selling bitcoins in 2013 and 2014. Officers believe Gatewood purchased the bitcoins with the illegal proceeds from the sale of marijuana in an attempt to conceal the true source of the funds used to purchase the bitcoins.

13. On May 2, 2014, the APD interviewed Gatewood's parents (*i.e.* James and Catherine Gatewood). They admitted that they knew Gatewood was distributing marijuana a few years ago; however, they thought that he had gotten out of the marijuana business. Gatewood's parents did not know what exactly he was doing for a living, but they thought he was involved with an online company. Gatewood's parents denied giving him any monetary assistance recently as they are in debt themselves and fear their home could be foreclosed upon.

14. On May 6, 2014, the APD obtained a state search warrant for Storage Unit #216 at 4202 Santiago Street, Austin, Texas. An APD drug dog arrived at the scene and conducted a free air sniff. The dog gave a positive alert at the unit. Within the unit, officers found and seized approximately \$463,345 and a money counter from the storage unit. The currency was in various cloth and plastic bags and banded with rubber bands. The money counter and various bags were in two plastic bins. No other items of any kind were in the storage unit.

15. Records obtained from the Public Storage office revealed that Unit #216 was rented to Joshua Gatewood on or about June 18, 2013. Records further revealed that Gatewood paid \$2,000.00 in cash on or about June 18, 2013, as storage fees from June 18, 2013 through May 31, 2014. Records also revealed that Gatewood used his access code on approximately 100 occasions to enter the building where Unit #216 was located between June 2013 and April 2014.

16. On May 19, 2014, Gatewood agreed to cooperate with law enforcement officials. He signed a proffer letter and agreed to turn over additional illegal proceeds in his possession and to collect illegal proceeds still owed to him from his marijuana distributors. In that vein, Gatewood collected the following:

- On May 20, 2014, Gatewood turned over approximately \$13,900 that he maintained in a lockbox.
- On May 22, 2014, Gatewood collected approximately \$3,600 at 3506 Manchaca Road, #122, Austin, Texas; and approximately \$3,030 at 9105 Japonica Court #B, Austin, Texas.
- On May 28, 2014, Gatewood collected approximately \$7,000 at Balcones Woods #301B, Austin, Texas.

Gatewood surrendered all the proceeds he collected to the APD and stated that the currency was from the sale of marijuana.

17. On May 27, 2014, Gatewood signed a “Voluntary Surrender of Assets and Waiver of Rights” for additional bitcoins in his possession. Gatewood surrendered an additional 28.988387 bitcoins in wallet address: 1KasRGy5K1rW8Yxf66S4tBRipBJzMX67Ly, which was valued (at the time) at approximately \$16,378. The IRS has transferred the bitcoins from Gatewood’s virtual wallet to an IRS-controlled virtual wallet.

18. A review of Texas Workforce Commission (TWC) records for Gatewood reflects no reported wages or employment. Therefore, the TWC records negate the possibility of the seized assets representing personal income or savings for this 24 year-old.

19. In all, law enforcement officials have seized the following assets from Gatewood during the pendency of the investigation:

- An aggregated total of \$512,894, more or less, in United States currency, consisting of:
  - \$8,000 found in Gatewood’s backpack on April 30;
  - \$14,019 from his residence on May 1;

- \$463,345 from his storage unit on May 6;
  - \$13,900 from a lockbox on May 20;
  - \$3,600 collected from a distributor at Manchaca Road on May 22;
  - \$3,030 collected from a distributor at Japonica Court on May 22; and
  - \$7,000 collected from a distributor at Balcones Woods on May 28;
- 2012 Volkswagen Passat, valued at \$16,700;
- Bitcoin Wallet Address: 1LMwVh5mXTkUfpJmqrLc4zfga9y2iYChgi, containing a total of 193.55945907 bitcoins valued at \$96,000;
- Bitcoin Wallet Address: 1KasRGy5K1rW8Yxf66S4tBRipBJzMX67Ly, containing 28.988387 bitcoins valued at \$16,378; and
- Royal Sovereign International Money Counter, Model RBC-1003BK, SN: #K1207LA09668, valued at \$200;

The total value of the seized assets sought for forfeiture is approximately \$642,172.